

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF HUDSONVILLE	County OTTAWA
Audit Date 6/30/05	Opinion Date 10/14/05	Date Accountant Report Submitted to State: 12/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

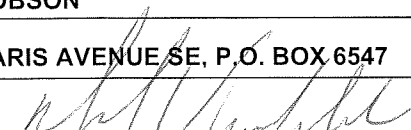
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 2330 EAST PARIS AVENUE SE, P.O. BOX 6547		City GRAND RAPIDS	State MI
Accountant Signature 		ZIP 49516-6547	Date 12/22/05

CITY OF HUDSONVILLE
HUDSONVILLE, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

CITY OF HUDSONVILLE

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

October 14, 2005

Honorable Mayor and
Members of the City Commission
City of Hudsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, Michigan (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Hudsonville, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005 on our consideration of the City of Hudsonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hudsonville's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Hudsonville's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

As management of the City of Hudsonville, we offer readers of the City of Hudsonville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The City's commitment to public safety was supported by over 27% of general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hudsonville's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Hudsonville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, police and fire services, public works including major and local street maintenance and recreation and cultural activities. The business-type activities of the City include sewer and water services.

The government-wide financial statements include not only the City of Hudsonville itself (known as the *primary government*), but also a legally separate Tax Increment Finance Authority, Local District Finance Authority, and Downtown Development Authority for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hudsonville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds. The City of Hudsonville maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hudsonville uses enterprise funds to account for its sewer and water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses internal service funds to account for its fleet of vehicles, compensated absences, fire equipment and insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operation, of which both are considered to be major funds of the City of Hudsonville.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statement can be found on page 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-37 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 38-52 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hudsonville, assets exceeded liabilities by \$12,051,600 at the close of the most recent fiscal year.

A portion of the City's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Hudsonville Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 2,876,883	\$ 2,654,035	\$2,232,234	\$1,587,251	\$ 5,109,117	\$ 4,241,286
Capital assets	8,006,503	7,452,422	5,552,840	5,701,444	13,559,343	13,153,866
Total assets	10,883,386	10,106,457	7,785,074	7,288,695	18,668,460	17,395,152
Long-term liabilities outstanding	4,873,308	5,211,416	960,000	1,015,000	5,833,308	6,226,416
Other liabilities	636,485	615,939	147,067	133,240	783,552	749,179
Total liabilities	5,509,793	5,827,355	1,107,067	1,148,240	6,616,860	6,975,595
Net assets:						
Invested in capital assets, net						
of related debt	2,795,087	1,890,499	4,545,497	4,636,680	7,340,584	6,527,179
Restricted	91,394	39,881	-	-	91,394	39,881
Unrestricted	2,487,112	2,348,722	2,132,510	1,503,775	4,619,622	3,852,497
Total net assets	\$ 5,373,593	\$ 4,279,102	\$6,978,007	\$6,140,455	\$12,051,600	\$10,419,557

Net assets of the City increased by \$1,632,043. The business-type activities increase in net assets of \$537,552 was primarily due to developer fees. The governmental activities increase in net assets of \$1,094,491 is the result of estimated useful lives utilized in calculating depreciation and the relationship of expenditures to governmental activities revenues.

City of Hudsonville Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue:						
Program revenue:						
Charges for services	\$ 764,427	\$ 773,648	\$1,752,323	\$1,302,412	\$2,516,750	\$2,076,060
Operating grants and contributions	35,161	40,237	-	-	35,161	40,237
Capital grants and contributions	190,407	5,605	-	-	190,407	5,605
	989,995	819,490	1,752,323	1,302,412	2,742,318	2,121,902
General revenue:						
Property taxes	2,390,639	2,285,053	-	-	2,390,639	2,285,053
Other governmental sources	619,243	619,398	-	-	619,243	619,398
Unrestricted investment earnings	92,812	78,009	43,027	24,542	135,839	102,551
Miscellaneous revenues	150	75	107,137	6,019	107,287	6,094
Total revenue	4,092,839	3,802,025	1,902,487	1,332,973	5,995,326	5,134,998

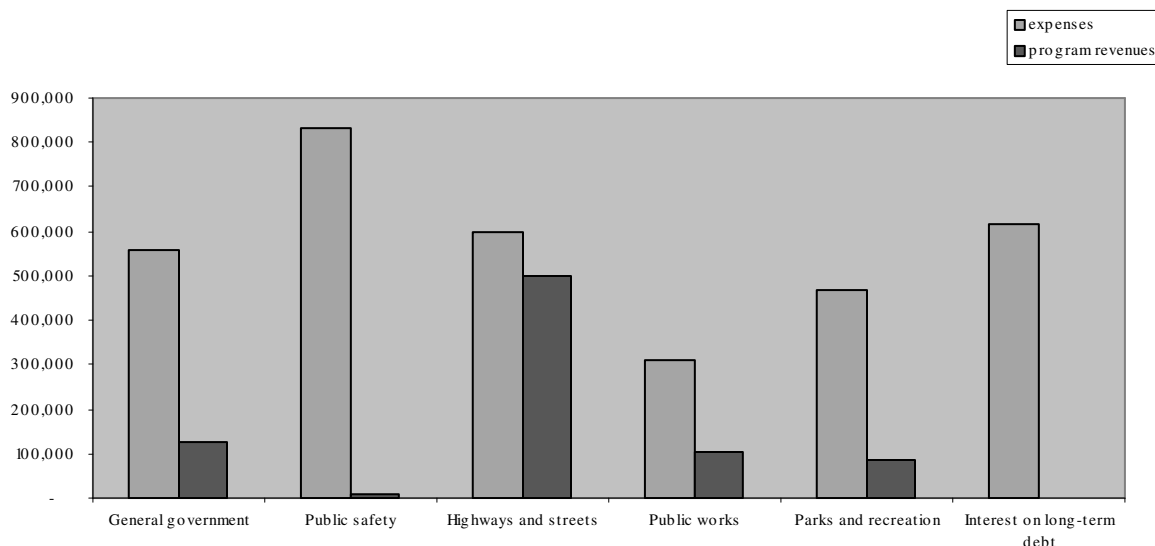
City of Hudsonville Changes in Net Assets (Continued)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Expenses:						
General government	\$ 520,460	\$ 215,706	\$ -	\$ -	\$ 520,460	\$ 215,706
Public safety	804,620	850,800	-	-	804,620	850,800
Public works	292,301	307,927	-	-	292,301	307,927
Highway and streets	616,241	542,127	-	-	616,241	542,127
Recreation and cultural	492,027	483,945	-	-	492,027	483,945
Interest on long-term debt	272,689	603,893	-	-	272,689	603,893
Sewer	-	-	703,674	700,654	703,674	700,654
Water	-	-	661,261	746,580	661,261	746,580
Total expenses	<u>2,998,338</u>	<u>3,004,398</u>	<u>1,364,935</u>	<u>1,447,234</u>	<u>4,363,273</u>	<u>4,451,632</u>
Increase (decrease) in net assets before transfers	1,094,491	797,627	537,552	(114,261)	1,632,043	683,366
Transfers	-	(91,534)	-	91,534	-	-
Increase (decrease) in net assets	1,094,491	706,093	537,552	(22,727)	1,632,043	683,366
Net assets - beginning of year	<u>4,279,102</u>	<u>3,573,009</u>	<u>6,140,455</u>	<u>6,163,182</u>	<u>10,419,557</u>	<u>9,736,191</u>
Net assets - end of year	<u>\$5,373,593</u>	<u>\$4,279,102</u>	<u>\$6,978,007</u>	<u>\$6,140,455</u>	<u>\$12,051,600</u>	<u>\$10,419,557</u>

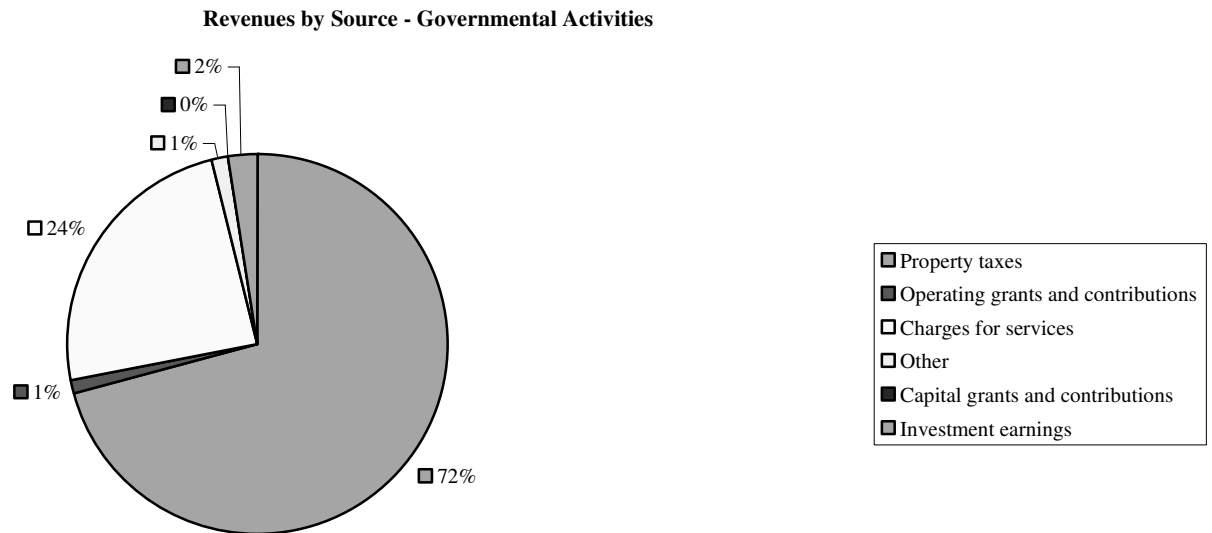
Governmental activities

During the year, the City continued its emphasis in public safety by investing \$804,620 or 27% of governmental activities expenses. Recreation and cultural was \$492,027 or 16% of governmental activities expenses while general government, public works and interest on long-term debt made up the remaining 57% of governmental activities expenses.

Expenses and Program Revenues - Governmental Activities



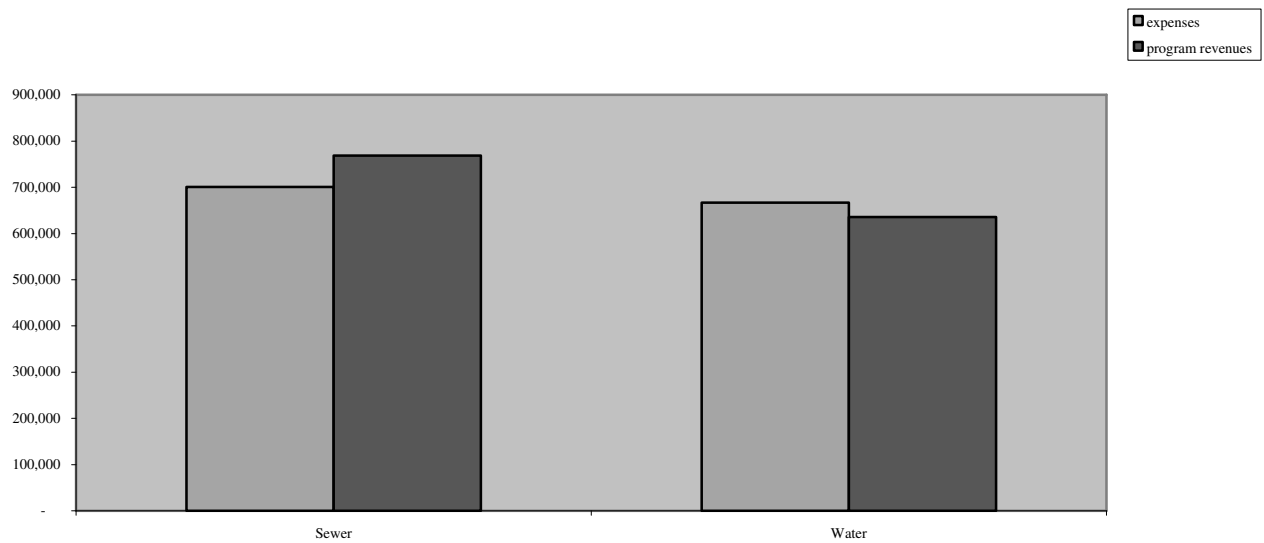
Revenues by Source - Governmental Activities



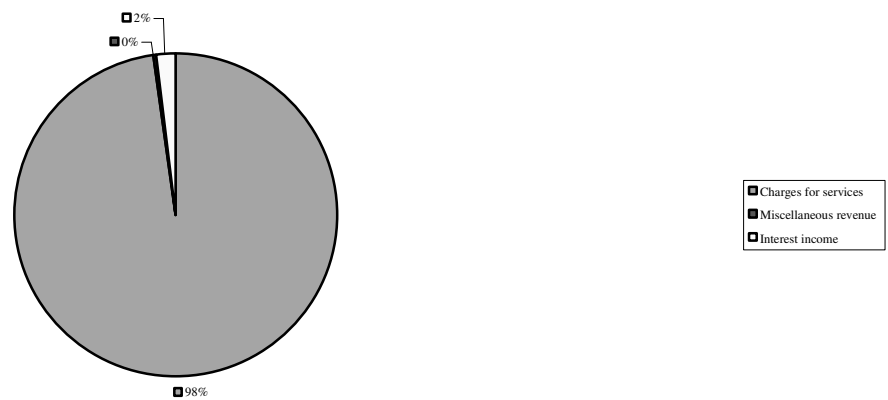
Business-type activities. Business-type activities increased the City's net assets by \$537,552. By comparison, business-type activities reported a decrease in net assets the previous fiscal year of approximately \$45,000. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 35%, or roughly \$450,000 compared to the prior year. This is primarily due to significant non-recurring developer hookup fees for a project outside of City limits.
 - Expenses decreased 7%, or approximately \$104,000, as in the prior year there were significant non-recurring contract expenses.
-

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,809,494, an increase of \$237,991, in comparison with the prior year. Approximately 95% of this total amount (\$1,718,100) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to generate income for library purposes (\$17,305), and 2) for debt service purposes (\$74,089).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,166,187. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 40 percent of total general fund expenditures and transfers.

The fund balance of the City's general fund decreased by \$33,991 during the current fiscal year. This is primarily attributable to transfers to the public improvement funds for capital outlay purchases.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$1,073,269 and \$1,059,241, respectively. The sewer fund had an increase in net assets for the year of \$347,840 and the water fund had an increase of \$189,712. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$13,559,343 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 2.3 percent (a 5.9 percent increase for governmental activities and a 2.6 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Purchase of the former United Methodist building.
- Paving and street resurfacing in the amount of approximately \$303,000.

City of Hudsonville Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$3,059,582	\$3,059,582	\$ 39,936	\$ 39,936	\$ 3,099,518	\$ 3,099,518
Land improvements	692,158	430,849	-	-	692,158	430,849
Buildings and system improvements	2,962,607	2,831,605	5,512,904	5,661,508	8,475,511	8,493,113
Machinery and equipment	1,240,495	1,081,305	-	-	1,240,495	1,081,305
Office furniture and equipment	51,661	49,081	-	-	51,661	49,081
Total	<u>\$8,006,503</u>	<u>\$7,452,422</u>	<u>\$5,552,840</u>	<u>\$5,701,444</u>	<u>\$13,559,343</u>	<u>\$13,153,866</u>

Additional information on the City of Hudsonville capital assets can be found in Note 4 on pages 32 and 33 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$6,300,689. Of this amount, \$1,007,343 was debt of business activities and \$5,293,346 was debt of governmental activities.

General Obligation and Revenue Bonds

	Governmental		Business-type		Total	
	<u>activities</u>		<u>activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Accrued employee benefits	\$ 81,920	\$ 116,507	\$ -	\$ -	\$ 81,920	\$ 116,507
Bonds and notes payable	<u>5,211,416</u>	<u>5,561,923</u>	<u>1,007,343</u>	<u>1,070,000</u>	<u>6,218,759</u>	<u>6,631,923</u>
Total	<u>\$5,293,336</u>	<u>\$5,678,430</u>	<u>\$1,007,343</u>	<u>\$1,070,000</u>	<u>\$6,300,679</u>	<u>\$6,748,430</u>

The City's total debt decreased by \$447,741 (6.6 percent) during the current fiscal year.

The City is currently not rated for general obligation bond issuance.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$20,037,603, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 9 on pages 36 and 37 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- The City expects a reduction in state revenue sharing. As a result, the City budgeted for only the constitutional portion of revenue sharing for 2005-2006.
- Increases in wages of 3.25%.
- Rate increases in the water and sewer charges.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 3275 Central Boulevard, Hudsonville, MI 49426-1450.

CITY OF HUDSONVILLE

STATEMENT OF NET ASSETS

JUNE 30, 2005

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	TAX INCREMENT	LOCAL DEVELOPMENT	DOWNTOWN
	ACTIVITIES	ACTIVITIES		FINANCE AUTHORITY	FINANCE AUTHORITY	DEVELOPMENT AUTHORITY
ASSETS						
Cash and pooled investments	\$ 2,427,649	\$ 1,457,846	\$ 3,885,495	\$ 768,236	\$ 732	\$ 21,558
Receivables						
Accounts	33,887	651,013	684,900	-	-	-
Special assessments	71,890	1,217	73,107	-	-	-
Interest	31,297	17,647	48,944	9,521	-	257
Due from other governmental units	292,455	-	292,455	-	-	-
Advance to Component Unit	-	25,877	25,877	-	-	-
Deposits	2,400	-	2,400	-	-	-
Restricted assets						
Cash and pooled investments	17,305	51,995	69,300	-	-	-
Inventory	-	26,639	26,639	-	-	-
Land	3,059,582	39,936	3,099,518	-	-	-
Property, plant and equipment, net of accumulated depreciator	4,946,921	5,512,904	10,459,825	-	-	-
TOTAL ASSETS	10,883,386	7,785,074	18,668,460	777,757	732	21,815
LIABILITIES						
Accounts payable	104,184	85,119	189,303	67,696	-	-
Other accrued liabilities	49,683	4,612	54,295	-	-	-
Advance from primary government	-	-	-	-	25,877	-
Accrued interest	62,580	9,993	72,573	20,234	2,322	-
Noncurrent liabilities						
Unamortized discount on revenue bonds	-	(7,657)	(7,657)	-	-	-
Accrued employee benefits	81,930	-	81,930	-	-	-
Due within one year	338,108	55,000	393,108	165,000	81,803	-
Due in more than one year	4,873,308	960,000	5,833,308	1,490,000	-	-
TOTAL LIABILITIES	5,509,793	1,107,067	6,616,860	1,742,930	110,002	-
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	2,795,087	4,545,497	7,340,584	-	-	-
Restricted for						
Library	17,305	-	17,305	-	-	-
Debt service	74,089	-	74,089	-	-	-
Unrestricted	2,487,112	2,132,510	4,619,622	(965,173)	(109,270)	21,815
TOTAL NET ASSETS (DEFICIT)	\$ 5,373,593	\$ 6,678,007	\$ 12,051,600	\$ (965,173)	\$ (109,270)	\$ 21,815

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
Governmental activities					
General government	\$ 520,470	\$ 139,781	\$ -	\$ -	\$ (380,689)
Public safety	804,620	4,776	-	-	(799,844)
Highways and streets	616,241	487,087	-	189,691	60,537
Public works	292,301	75,312	6,719	716	(209,554)
Recreation and cultural	492,027	57,471	28,442	-	(406,114)
Interest on long-term debt	272,689	-	-	-	(272,689)
Total governmental activities	2,998,348	764,427	35,161	190,407	(2,008,353)
Business-type activities					
Sewer	703,674	1,026,705	-	-	323,031
Water	661,261	725,618	-	-	64,357
Total business-type activities	1,364,935	1,752,323	-	-	387,388
TOTAL PRIMARY GOVERNMENT	\$ 4,363,283	\$ 2,516,750	\$ 35,161	\$ 190,407	\$ (1,620,965)
COMPONENT UNITS					
Tax Increment Finance Authority	\$ 158,040	\$ -	\$ -	\$ -	\$ (158,040)
Local Development Finance Authority	17,291	-	-	-	(17,291)
Downtown Development Authority	17,108	-	-	-	(17,108)
TOTAL COMPONENT UNITS	\$ 192,439	\$ -	\$ -	\$ -	\$ (192,439)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TAX INCREMENT FINANCE AUTHORITY	LOCAL DEVELOPMENT FINANCE AUTHORITY	DOWNTOWN DEVELOPMENT AUTHORITY
CHANGES IN NET ASSETS						
Net (expense) revenue	\$ (2,008,353)	\$ 387,388	\$ (1,620,965)	\$ (158,040)	\$ (17,291)	\$ (17,108)
General revenues:						
Property taxes	2,390,639	-	2,390,639	378,854	222,949	6,696
Other governmental sources	619,243	-	619,243	-	-	-
Unrestricted investment earnings	92,812	43,027	135,839	22,233	525	398
Miscellaneous revenues	150	107,137	107,287	-	-	2,538
TOTAL GENERAL REVENUES AND TRANSFERS	3,102,844	150,164	3,253,008	401,087	223,474	9,632
Change in net assets	1,094,491	537,552	1,632,043	243,047	206,183	(7,476)
Net assets (deficit), beginning of year	4,279,102	6,140,455	10,419,557	(1,208,220)	(315,453)	29,291
NET ASSETS (DEFICIT), END OF YEAR	\$ 5,373,593	\$ 6,678,007	\$ 12,051,600	\$ (965,173)	\$ (109,270)	\$ 21,815

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2005

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and pooled investments	\$ 1,030,463	\$ 554,865	\$ 1,585,328
Restricted cash and pooled investments	-	17,305	17,305
Due from state	196,830	95,625	292,455
Due from other funds	-	21,582	21,582
Accounts receivable (net of allowance for uncollectibles)	-	33,887	33,887
Interest receivable	14,279	6,738	21,017
Special assessments receivable	-	71,890	71,890
<u>TOTAL ASSETS</u>	<u>\$ 1,241,572</u>	<u>\$ 801,892</u>	<u>\$ 2,043,464</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 30,817	\$ 55,982	\$ 86,799
Accrued wages	44,568	4,208	48,776
Due to other funds	10,000	26,502	36,502
Deferred revenue	-	71,893	71,893
<u>TOTAL LIABILITIES</u>	<u>85,385</u>	<u>158,585</u>	<u>243,970</u>
FUND BALANCES			
Reserved for library endowment	-	17,305	17,305
Reserved for debt service	-	74,089	74,089
Unreserved:			
Undesignated	1,156,187	-	1,156,187
Undesignated, reported in nonmajor:			
Special revenue funds	-	273,921	273,921
Capital projects funds	-	277,992	277,992
<u>TOTAL FUND BALANCES</u>	<u>1,156,187</u>	<u>643,307</u>	<u>1,799,494</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 1,241,572</u>	<u>\$ 801,892</u>	<u>\$ 2,043,464</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO THE NET ASSETS OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

JUNE 30, 2005

Fund balances- total governmental funds	\$ 1,799,494
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds.

Add- land	3,059,582
Add- capital assets (net of accumulated depreciation)	4,946,921

Certain assets, such as special assessments receivable are not due and receivable in the current
period and therefore are offset with deferred revenue in the fund statements.

Add - deferred revenue on special assessments receivable	71,893
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Internal service funds are used by management to charge the costs of certain activities, such as
insurance and other centralized costs, to individual funds. The assets and liabilities of internal
service funds are included in governmental activities

Add - net assets of governmental activities accounted for in internal service funds	1,932,891
Subtract - Capital assets accounted for in internal service funds, net of accumulated depreciation	(1,081,262)

Certain liabilities, such as bond payable, are not due and payable in the
current period and therefore are not reported in the funds.

Deduct - bonds payable	(5,211,416)
Deduct - accrued interest	(62,580)
Deduct - compensated absences	(81,930)

Net assets of governmental activities	<u><u>\$ 5,373,593</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes and assessments	\$ 2,040,083	\$ 350,556	\$ 2,390,639
Licenses and permits	59,756	-	59,756
Intergovernmental	619,243		
State	-	465,513	465,513
Federal	-	61	61
Charges for services	110,058	56,287	166,345
Interest	41,222	31,274	72,496
Fines and forfeitures	22,911	-	22,911
Miscellaneous	17,702	68,227	85,929
TOTAL REVENUES	2,910,975	971,918	3,882,893
EXPENDITURES			
Current			
General government	837,113	-	837,113
Public safety	803,388	3,953	807,341
Highways and streets	189,257	518,152	707,409
Culture and recreation	206,323	265,844	472,167
Capital outlay	-	203,263	203,263
Debt service:			
Principal retirement	-	360,000	360,000
Interest and fiscal charges	-	257,609	257,609
TOTAL EXPENDITURES	2,036,081	1,608,821	3,644,902
REVENUES OVER (UNDER) EXPENDITURES	874,894	(636,903)	237,991
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,325,585	1,325,585
Transfers (out)	(918,885)	(416,700)	(1,335,585)
TOTAL OTHER FINANCING SOURCES (USES)	(918,885)	908,885	(10,000)
NET CHANGE IN FUND BALANCES	(43,991)	271,982	227,991
FUND BALANCES - BEGINNING OF YEAR	1,200,178	371,325	1,571,503
FUND BALANCES - END OF YEAR	\$ 1,156,187	\$ 643,307	\$ 1,799,494

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES***

FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ 227,991

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	503,966
Deduct - depreciation expense	(149,950)

Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	350,507
Deduct - change in deferred revenue	(12,820)

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in interest expense for accrued interest	(5,587)
Add - decrease in the accrual for compensated absences	34,577

Internal service funds are used by management to charge the costs of certain services to
individual governmental funds. The net revenue (expense) of those funds is reported with
governmental activities.

Add - income from governmental activities in internal service fund	<u>145,807</u>
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Change in net assets of governmental activities	<u><u>\$ 1,094,491</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,920,115	\$ 1,920,115	\$ 2,040,083	\$ 119,968
Licenses and permits	64,710	64,710	59,756	(4,954)
State	600,000	624,000	619,243	(4,757)
Charges for services	85,600	85,600	110,058	24,458
Interest	25,000	25,000	41,222	16,222
Fines and forfeits	20,100	20,100	22,911	2,811
Miscellaneous	6,600	6,600	17,702	11,102
TOTAL REVENUES	2,722,125	2,746,125	2,910,975	164,850
EXPENDITURES				
General Government:				
Legislative	30,884	33,884	30,697	3,187
Executive	50,431	65,206	68,583	(3,377)
Elections	11,334	5,984	8,310	(2,326)
Assessor	69,584	88,849	107,967	(19,118)
Attorney	31,000	15,500	22,604	(7,104)
Clerk	59,551	59,551	61,763	(2,212)
Finance and accounting	125,691	125,641	106,670	18,971
City building and grounds	153,054	148,410	148,601	(191)
General administration	40,332	34,982	38,442	(3,460)
Information services	80,754	80,649	86,645	(5,996)
Planning commissions	111,681	112,281	90,774	21,507
Other functions	13,680	10,180	8,991	1,189
Miscellaneous	190,500	103,579	57,066	46,513
TOTAL GENERAL GOVERNMENT	968,476	884,696	837,113	47,583
Public Safety				
Police	686,365	709,583	652,591	56,992
Fire	152,815	152,267	130,027	22,240
Code enforcement	29,018	25,018	20,770	4,248
TOTAL PUBLIC SAFETY	868,198	886,868	803,388	83,480
HIGHWAYS AND STREETS	162,219	204,019	189,257	14,762
CULTURE AND RECREATION	229,772	220,473	206,323	14,150
TOTAL EXPENDITURES	2,354,026	2,318,517	2,036,081	159,975
REVENUES OVER (UNDER) EXPENDITURES	368,099	427,608	874,894	447,286
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(479,298)	(534,907)	(918,885)	(383,978)
NET CHANGE IN FUND BALANCES	(111,199)	(107,299)	(43,991)	63,308
FUND BALANCES - BEGINNING OF YEAR	1,200,178	1,200,178	1,200,178	-
FUND BALANCES - END OF YEAR	\$ 1,088,979	\$ 1,092,879	\$ 1,156,187	\$ 63,308

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

JUNE 30, 2005

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL ACTIVITIES</u>
	<u>SEWER DISPOSAL</u>	<u>WATER WORKS</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
CURRENT ASSETS				
Cash and pooled investments	\$ 597,489	\$ 860,357	\$ 1,457,846	\$ 842,321
Restricted cash and pooled investments	19,056	32,939	51,995	-
Accounts receivable	463,139	187,874	651,013	-
Due from other funds	-	-	-	36,502
Interest receivable	6,744	10,903	17,647	10,280
Special assessments receivable	-	1,217	1,217	-
Deposits	-	-	-	2,400
Inventory	9,838	16,801	26,639	-
TOTAL CURRENT ASSETS	1,096,266	1,110,091	2,206,357	891,503
LONG TERM ASSETS				
Advance to Component Unit	25,877	-	25,877	-
PROPERTY, PLANT AND EQUIPMENT				
Sanitary sewer system	5,475,609	-	5,475,609	-
Water system	-	4,503,737	4,503,737	-
Property and equipment	-	-	-	1,805,178
	5,475,609	4,503,737	9,979,346	1,805,178
Less: Accumulated depreciation	2,581,044	1,845,462	4,426,506	723,916
NET PROPERTY, PLANT AND EQUIPMENT	2,894,565	2,658,275	5,552,840	1,081,262
<u>TOTAL ASSETS</u>	<u>4,016,708</u>	<u>3,768,366</u>	<u>7,785,074</u>	<u>1,972,765</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable	39,471	45,648	85,119	17,385
Accrued interest	7,649	2,344	9,993	-
Accrued wages	1,754	2,858	4,612	907
Due to other funds	-	-	-	21,582
Current portion of bonds payable	35,000	20,000	55,000	-
TOTAL CURRENT LIABILITIES	83,874	70,850	154,724	39,874
LONG-TERM LIABILITIES				
Bonds payable	426,307	526,036	952,343	-
TOTAL LIABILITIES	510,181	596,886	1,107,067	39,874
NET ASSETS				
Invested in capital assets, net of related debt	2,433,258	2,112,239	4,545,497	1,081,262
Unrestricted	1,073,269	1,059,241	2,132,510	851,629
TOTAL NET ASSETS	\$ 3,506,527	\$ 3,171,480	\$ 6,678,007	\$ 1,932,891

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES
	SEWER DISPOSAL	WATER WORKS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES				
Fees	\$ 314,575	\$ 79,234	\$ 393,809	\$ -
Charges for services	712,130	646,384	1,358,514	927,113
Miscellaneous	5,555	101,582	107,137	-
TOTAL OPERATING REVENUES	1,032,260	827,200	1,859,460	927,113
OPERATING EXPENSES				
Disposal costs	406,881	-	406,881	-
Water purchases	-	247,610	247,610	-
Personnel services	75,674	130,366	206,040	536,344
Professional and contractual services	38,934	60,434	99,368	234,317
Supplies and materials	1,302	4,508	5,810	34,231
Utilities	10,549	9,294	19,843	-
Repairs and maintenance	23,857	49,888	73,745	46,628
Equipment rental	8,369	19,925	28,294	-
Depreciation	113,634	94,292	207,926	47,592
Miscellaneous	219	27,726	27,945	(87,490)
TOTAL OPERATING EXPENSES	679,419	644,043	1,323,462	811,622
OPERATING INCOME (LOSS)	352,841	183,157	535,998	115,491
NONOPERATING REVENUES (EXPENSES)				
Interest income	19,254	23,773	43,027	20,316
Interest expense	(24,255)	(17,218)	(41,473)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(5,001)	6,555	1,554	20,316
CHANGE IN NET ASSETS	347,840	189,712	537,552	145,807
NET ASSETS - BEGINNING OF YEAR	3,158,687	2,981,768	6,140,455	1,787,084
NET ASSETS - END OF YEAR	\$ 3,506,527	\$ 3,171,480	\$ 6,678,007	\$ 1,932,891

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES
	SEWER DISPOSAL	WATER WORKS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 722,082	\$ 775,203	\$ 1,497,285	\$ -
Receipts from interfund services	-	-	-	938,695
Payments to vendors	(484,521)	(399,626)	(884,147)	(219,680)
Payments to employees	(75,405)	(130,007)	(205,412)	(536,344)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	162,156	245,570	407,726	182,671
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	10,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Advance to Component Unit	34,293	-	34,293	-
Acquisitions of capital assets	(44,632)	(14,690)	(59,322)	(247,617)
Principal paid on long-term debt	(25,000)	(30,000)	(55,000)	-
Amortization of bond discount (premium)	(129)	(2,292)	(2,421)	-
Interest paid on long-term debt	(24,255)	(15,671)	(39,926)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(59,723)	(62,653)	(122,376)	(247,617)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	17,208	20,412	37,620	19,578
NET INCREASE IN CASH AND POOLED INVESTMENTS	119,641	203,329	322,970	(35,368)
CASH AND POOLED INVESTMENTS - BEGINNING OF YEAR	496,904	689,967	1,186,871	877,689
CASH AND POOLED INVESTMENTS - END OF YEAR	\$ 616,545	\$ 893,296	\$ 1,509,841	\$ 842,321
CASH AND POOLED INVESTMENTS ARE CLASSIFIED AS FOLLOWS ON THE STATEMENT OF NET ASSETS:				
Cash and pooled investments	\$ 597,489	\$ 860,357	\$ 1,457,846	\$ 842,321
Restricted cash and pooled investments	19,056	32,939	51,995	-
	\$ 616,545	\$ 893,296	\$ 1,509,841	\$ 842,321
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 352,841	\$ 183,157	\$ 535,998	\$ 115,491
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	113,634	94,292	207,926	47,592
Changes in operating assets and liabilities which provided (used) cash:				
Receivables	(310,178)	(51,997)	(362,175)	-
Inventory	6,016	5,260	11,276	-
Due from other funds	-	-	-	(10,000)
Due to other funds	-	-	-	21,582
Accounts payable	(904)	14,499	13,595	7,935
Other accrued liabilities	747	359	1,106	71
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 162,156	\$ 245,570	\$ 407,726	\$ 182,671

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE

***FIDUCIARY FUNDS
STATEMENT OF NET ASSETS***

JUNE 30, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and pooled investments	<u>\$ 121,026</u>
<u>LIABILITIES</u>	
Accounts payable	<u>\$ 121,026</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hudsonville (the “City”) was incorporated November 5, 1957, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Commission-Manager form of government and provides the following services: Public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles, except as described below, as applicable to governments. The following is a summary of the more significant policies.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Blended Component Unit

The Hudsonville Building Authority – The members of the governing board of the Building Authority are appointed by the City Commission. The City has significant influence over operations of the building authority and also is accountable for its fiscal matters.

Discretely Presented Component Units

Tax Increment Finance Authority – The members of the governing board of the Tax Increment Finance Authority are appointed by the City Commission. The budgets and expenditures of the Tax Increment Finance Authority must be approved by the City Commission. The City also has the ability to significantly influence operations of the Tax Increment Finance Authority.

Local Development Finance Authority – The members of the governing board of the Local Development Finance Authority are appointed by the City Commission. The budgets and expenditures of the Local Development Finance Authority must be approved by the City Commission. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

Downtown Development Authority – The members of the governing board of the Downtown Development Authority are appointed by the City Commission. The budgets and expenditures of the Downtown Development Authority must be approved by the City Commission. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Complete financial statements for the component units are not separately prepared.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Sewer Disposal Fund – This fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

Water Works Fund – The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for revenue from specific revenue (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Capital Projects Funds account for the accumulation and disbursement of resources for the construction of City capital projects.

Internal Service Funds are used to account for financing of goods or services provided by the City to other departments or funds to other governmental units on a cost reimbursement basis.

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2005. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Commission.
6. Budgets for expenditures are adopted at the functional level.
7. Budgeted amounts are as originally adopted, or as amended by the City Commission.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Cash and Pooled Investments

For purposes of the statement of cash flows, the City considers all assets held in highly liquid investments with an original maturity of three months or less to be cash and temporary investments.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Special Assessments

Special assessments are recorded as revenue when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue. Special assessments are billed annually.

Pensions

The provision for pension cost is recorded on an annual basis and the City's policy is to fund pension costs as they accrue.

Inventory

Inventory is valued at cost on the first-in/first-out (FIFO) method. Inventory is recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements. The capitalization threshold is \$5,000. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	50
Machinery and equipment	3 - 35
Water/sewer system	5 - 50

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 15, and winter taxes are levied on December 1 and are due without penalty on or before February 14. The City bills and collects its own property taxes for general governmental services, road, and debt retirement. Additionally, the City collects taxes for Ottawa County and various school districts. Collections of property taxes and remittances to the appropriate authorities are accounted for in the Trust and Agency Fund.

Local Development Finance Authority Notes Payable

Notes payable consist of an amount due to the developer of the Local Development Finance Authority (LFDA) district. This amount is paid with tax captures within the LDFA district. The notes payable include interest at 7% and are recorded in the long-term liabilities of the Local Development Finance Authority.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accrued Vacation and Sick Leave

Under terms of City policies, employees are granted sick leave at the rate of .83 days per month. Unused sick leave may accumulate up to 80 hours (depending on their bargaining unit). Employees are granted vacation time in varying amounts based on length of service. Employees must use their vacation each year.

Accumulated unpaid sick leave is recorded on the statement of net assets. Current portions of unpaid sick leave are considered immaterial.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

2. DEFICIT FUND EQUITY

At June 30, 2005, the City had deficit fund balances/net assets in the following funds/component units:

Primary Government	
Sidewalk	\$(5,216)
Component Units	
Local Development Finance Authority	(109,270)
Tax Increment Finance Authority	(965,173)

Management plans to eliminate the deficit fund balances through the recognition of revenues in subsequent years.

3. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fund statements relating to cash and temporary investments and investments are as follows:

Deposits:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and temporary investments	\$3,885,495	\$790,526	\$121,026	\$4,797,047
Restricted cash and pooled investments	69,300	-	-	69,300
Total cash and pooled investments	<u>\$3,954,795</u>	<u>\$790,526</u>	<u>\$121,026</u>	<u>\$4,866,347</u>

CITY OF HUDSONVILLE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$4,269,087 of the City's bank balance of \$4,986,392 was exposed to custodial credit risk because it was uninsured and uncollateralized.

These deposits are in eight (8) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Deposits and investments are recorded in City records at fair value. Interest is recorded when earned.

Statutory Authority

State statutes authorize the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

4. CAPITAL ASSETS

Changes in capital assets for the year ending June 30, 2005, are as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2005</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	<u>\$ 3,059,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,059,582</u>
Capital assets, being depreciated:				
Land improvements	691,808	303,290	-	995,098
Buildings	3,708,834	155,300	-	3,864,134
Machinery and equipment	1,894,837	285,916	-	2,180,753
Office furniture and equipment	<u>599,114</u>	<u>7,077</u>	<u>-</u>	<u>606,191</u>
Total capital assets, being depreciated	<u>6,894,593</u>	<u>751,583</u>	<u>-</u>	<u>7,646,176</u>

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Dispositions	Balance June 30, 2005
Less accumulated depreciation for:				
Land improvements	\$ 260,959	\$ 41,981	\$ -	\$ 302,940
Buildings	826,079	75,448	-	901,527
Machinery and equipment	870,642	69,616	-	940,258
Office furniture and equipment	544,033	10,497	-	554,530
Total accumulated depreciation	2,501,713	197,542	-	2,699,255
Net capital assets, being depreciated	4,392,880	554,041	-	4,946,921
Net governmental activities capital assets	<u>\$7,542,462</u>	<u>\$554,041</u>	<u>\$ -</u>	<u>\$8,006,503</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 39,936	\$ -	\$ -	\$ 39,936
Capital assets being depreciated:				
Water system	4,449,111	14,690	-	4,463,801
Sewer system	5,430,977	44,632	-	5,475,609
Accumulated depreciation	(4,218,580)	(207,926)	-	(4,426,506)
Net business-type activities capital assets	<u>\$5,701,444</u>	<u>\$(148,604)</u>	<u>\$ -</u>	<u>\$5,552,840</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 59,980
Public safety	22,492
Public works	22,492
Recreation and cultural	22,493
Streets	22,493
Depreciation charged to Internal Service Funds	47,592

Total depreciation expense – governmental activities **\$197,542**

Business-type activities:

Sewer	\$113,634
Water	94,292

Total depreciation expense – business-type activities **\$207,926**

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

5. INTERFUND RECEIVABLES AND PAYABLES

	Due From Other Funds	Due to Other Funds
Governmental Funds		
General	\$ -	\$ 10,000
Sidewalk	-	26,502
Public Improvement	21,582	-
Internal Service Funds		
Compensated absences	10,000	
Motor Pool	26,502	21,582
	<u>\$58,084</u>	<u>\$58,084</u>

Interfund balances primarily reflect loans made from funds with cash and temporary investments to those funds requiring temporary cash flow needs.

6. INTERFUND TRANSFERS

The composition of transfers for the year ended June 30, 2005, is as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ -	\$ 918,885
Nonmajor	1,325,585	416,700
Internal Service Funds:		
Compensated absences	10,000	
Total	<u>1,335,585</u>	<u>1,335,585</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

7. DEFINED BENEFIT PENSION PLAN

Municipal Employees Retirement System of Michigan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

The City is required to contribute at an actuarially determined rate; the current rate varies by employment group from 7.9 to 12.8 of annual covered payroll. Participating employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2005 the City's annual pension cost for MERS of \$83,748 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 20% of the difference between assumed earnings and market value (5 year seniority) to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$74,722	100%	\$ -
2004	78,417	100%	-
2005	83,748	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/02	\$1,116,791	\$2,073,442	\$ 956,651	54%	\$485,577	197%
12/31/03	1,127,102	2,151,206	1,024,104	52%	498,021	206%
12/31/04	1,142,776	2,222,428	1,079,652	51%	424,432	254%

8. DEFINED CONTRIBUTION PLAN

The City of Hudsonville Governmental Money Purchase Plan and trust is a defined contribution retirement plan administered by the Michigan Municipal Employees Retirement System. This Plan provides benefits at retirement to all new City employees and employees requesting conversion to the Plan during the appropriate conversion window. The City is required to contribute up to 13% of employee covered payroll depending on employee bargaining unit and employee contributions. Employees are required to contribute 2% of covered payroll with a 100% match of employee contributions paid by the City. Plan provisions and contribution requirements are established and may be amended by the City of Hudsonville City Commission. During the current year the City contributed \$99,786 while participants contributed \$17,680.

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

9. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Governmental activities					
5.0% - 7.0% Michigan Transportation Bonds, Series 1990	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
4.75% - 5.0% Special Assessment Bonds, Series 1999	135,000	-	(15,000)	120,000	15,000
3.95% - 5.0% Public Improvement City GO Bonds, Series 1999	150,000	-	(10,000)	140,000	15,000
4.1% - 5.35% Hudsonville Building Authority Bonds	4,310,000	-	(170,000)	4,140,000	185,000
4.25% - 7.25% Michigan Transportation Bonds, Series 2001	410,000	-	(50,000)	360,000	55,000
3.97% Installment Purchase Contract, 2001	516,923	-	(65,507)	451,416	68,108
Accrued Employee Benefits	116,507	-	(34,577)	81,930	-
Total governmental activities	5,678,430	-	(385,084)	5,293,346	338,108
Business-type activities					
4.0% - 5.2% Water Supply and Sewage Disposal System Revenue Bonds Series 1999	675,000	-	(35,000)	640,000	30,000
2.5% Drinking Water Revolving Fund, Series 1999	395,000	-	(20,000)	375,000	25,000
Net Premium/Discount	(5,236)	-	(2,421)	(7,657)	-
Total business-type activities	1,064,764	-	(57,421)	1,007,343	55,000

CITY OF HUDSONVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Component Unit	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
5.5% - 7.0% Downtown Development Series 1991	\$ 600,000	\$ -	\$ (75,000)	\$ 525,000	\$ 75,000
7.0% Local Development Finance Authority Notes Payable	252,219	-	(170,416)	81,803	81,803
5.5% - 8.5% General Obligation Limited	1,195,000	-	(65,000)	1,130,000	90,000
Total Component Unit Debt	2,047,219	-	(310,416)	1,736,803	246,803
Total long-term debt – reporting entity	\$8,790,413	\$ -	\$(752,921)	\$8,037,492	\$639,911

The annual requirements, excluding accrued employee benefits and unamortized discounts, to maturity on the total long-term obligations outstanding at June 30, 2005 are as follows:

	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 338,108	\$ 251,252	\$ 55,000	\$ 39,970	\$ 246,803	\$105,425
2007	365,812	235,703	60,000	38,115	185,000	92,648
2008	393,623	219,881	60,000	36,020	215,000	80,605
2009	416,545	200,564	65,000	33,890	225,000	66,590
2010	449,584	180,782	65,000	31,505	225,000	52,965
2011-2015	2,037,744	584,714	365,000	117,520	640,000	99,200
2016-2019	1,210,000	92,823	345,000	37,385	-	-
	\$5,211,416	\$1,765,719	\$1,015,000	\$334,405	\$1,736,803	\$497,433

For the governmental activities, accrued employee benefits are generally liquidated by the general fund.

10. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

11. PRIOR PERIOD ADJUSTMENT

Beginning net assets in the Water fund have been increased by \$22,064 due to an overstatement of accounts payable in prior years.

* * * * *

CITY OF HUDSONVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

						DEBT SERVICE	
	SPECIAL REVENUE					1999 G.O.	1990
	MAJOR STREET	LOCAL STREET	LIBRARY	PUBLIC SAFETY	COMMUNITY POLICING	DEBT SERVICE	MAJOR STREET DEBT SERVICE
<u>ASSETS</u>							
Cash and pooled investments	\$ 10,542	\$ 54,502	\$ 96,902	\$ 6,446	\$ 2,889	\$ 542	\$ 87
Restricted cash and pooled investments	-	-	17,305	-	-	-	-
Due from state	64,784	30,841	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Accounts receivable	-	-	33,887	-	-	-	-
Special assessments receivable	-	-	-	-	-	-	-
Interest receivable	129	671	1,204	57	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 75,455</u>	<u>\$ 86,014</u>	<u>\$ 149,298</u>	<u>\$ 6,503</u>	<u>\$ 2,889</u>	<u>\$ 542</u>	<u>\$ 87</u>
<u>LIABILITIES AND FUND BALANCES</u>							
LIABILITIES							
Accounts payable	6,160	2,626	15,917	-	22	-	-
Accrued wages payable	2,005	2,203	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
<u>TOTAL LIABILITIES</u>	<u>8,165</u>	<u>4,829</u>	<u>15,917</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)							
Reserved	-	-	17,305	-	-	-	-
Unreserved - undesignated	67,290	81,185	116,076	6,503	2,867	542	87
<u>TOTAL FUND BALANCES (DEFICIT)</u>	<u>67,290</u>	<u>81,185</u>	<u>133,381</u>	<u>6,503</u>	<u>2,867</u>	<u>542</u>	<u>87</u>
<u>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</u>	<u>\$ 75,455</u>	<u>\$ 86,014</u>	<u>\$ 149,298</u>	<u>\$ 6,503</u>	<u>\$ 2,889</u>	<u>\$ 542</u>	<u>\$ 87</u>

1999										
SPECIAL		DEBT SERVICE				CAPITAL PROJECTS				
ASSESSMENT										
BONDS	LIBRARY	2001 STREET	LEASE	HUDSONVILLE						
DEBT	CONSTRUCTION	IMPROVEMENT	PURCHASE	BUILDING						
SERVICE	DEBT SERVICE	DEBT SERVICE	DEBT SERVICE	DEBT SERVICE	PUBLIC	HIGHLAND				
					IMPROVEMENT	DRIVE				
						EAST				
							WATER			SIDEWALK
\$ 14,739	\$ 1,010	\$ 1,837	\$ 43,304	\$ 11,681	\$ 252,768	\$ 5,089	\$ 1,853	\$ 21,028		
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	21,582	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
58,781	-	-	-	-	-	-	1,913	9,375		
176	12	22	535	144	3,121	37	23	258		
\$ 73,696	\$ 1,022	\$ 1,859	\$ 43,839	\$ 11,825	\$ 277,471	\$ 5,126	\$ 3,789	\$ 30,661		
-	-	-	-	-	28,882	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
58,781	-	-	-	-	-	-	1,913	9,375		
-	-	-	-	-	-	-	-	26,502		
58,781	-	-	-	-	28,882	-	1,913	35,877		
-	-	-	-	-	-	-	-	-	-	-
14,915	1,022	1,859	43,839	11,825	248,589	5,126	1,876	(5,216)		
14,915	1,022	1,859	43,839	11,825	248,589	5,126	1,876	(5,216)		
\$ 73,696	\$ 1,022	\$ 1,859	\$ 43,839	\$ 11,825	\$ 277,471	\$ 5,126	\$ 3,789	\$ 30,661		

(Continued)

CITY OF HUDSONVILLE

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	CAPITAL PROJECTS						
	FACILITY		NEW HOLLAND		HILLSIDE		
	IMPROVEMENTS	NEW HOLLAND	SANITARY/	PARK	LIBRARY		
ASSETS	ADA	BIKE PATH	SIDEWALK	DEVELOPMENT	EXPANSION	TOTALS	
Cash and pooled investments	\$ 948	\$ 4,011	\$ 11,189	\$ 9,314	\$ 4,184	\$	554,865
Restricted cash and pooled investments	-	-	-	-	-		17,305
Due from state	-	-	-	-	-		95,625
Due from other funds	-	-	-	-	-		21,582
Accounts receivable	-	-	-	-	-		33,887
Special assessments receivable	-	-	1,821	-	-		71,890
Interest receivable	8	48	137	112	44		6,738
TOTAL ASSETS	\$ 956	\$ 4,059	\$ 13,147	\$ 9,426	\$ 4,228		801,892
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	-	-	-	2,375	-		55,982
Accrued wages payable	-	-	-	-	-		4,208
Deferred revenue	-	-	1,824	-	-		71,893
Due to other funds	-	-	-	-	-		26,502
TOTAL LIABILITIES	-	-	1,824	2,375	-		158,585
FUND BALANCES (DEFICIT)							
Reserved	-	-	-	-	-		17,305
Unreserved - undesignated	956	4,059	11,323	7,051	4,228		626,002
TOTAL FUND BALANCES (DEFICIT)	956	4,059	11,323	7,051	4,228		643,307
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 956	\$ 4,059	\$ 13,147	\$ 9,426	\$ 4,228	\$	801,892

(Concluded)

CITY OF HUDSONVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE					DEBT SERVICE	
	MAJOR STREET	LOCAL STREET	LIBRARY	PUBLIC SAFETY	COMMUNITY POLICING	1999 G.O. DEBT SERVICE	1990 MAJOR STREET DEBT SERVICE
REVENUES							
Taxes	\$ -	\$ -	\$ 194,605	\$ -	\$ -	\$ -	\$ -
Special assessment revenue	-	-	-	-	-	-	-
Intergovernmental							
State	322,443	134,035	7,371	1,664	-	-	-
Federal	-	61	-	-	-	-	-
Charges for services	-	-	56,287	-	-	-	-
Interest	75	868	4,277	127	(21)	40	-
Miscellaneous	27,504	12,644	22,255	716	5,055	-	-
TOTAL REVENUES	350,022	147,608	284,795	2,507	5,034	40	-
EXPENDITURES							
Current							
Highways and streets	248,200	269,952	-	-	-	-	-
Culture and recreation	-	-	263,211	2,633	-	-	-
Public safety	-	-	-	340	3,613	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal retirement	-	-	-	-	-	10,000	40,000
Interest and fiscal charges	-	-	-	-	-	7,222	1,001
TOTAL EXPENDITURES	248,200	269,952	263,211	2,973	3,613	17,222	41,001
REVENUES OVER (UNDER) EXPENDITURES	101,822	(122,344)	21,584	(466)	1,421	(17,182)	(41,001)
OTHER FINANCING SOURCES (USES)							
Transfers in	46,587	132,187	44,960	-	-	17,523	41,000
Transfers (out)	(188,625)	(6,092)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(142,038)	126,095	44,960	-	-	17,523	41,000
NET CHANGES IN FUND BALANCES	(40,216)	3,751	66,544	(466)	1,421	341	(1)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	107,506	77,434	66,837	6,969	1,446	201	88
FUND BALANCES (DEFICIT), END OF YEAR	\$ 67,290	\$ 81,185	\$ 133,381	\$ 6,503	\$ 2,867	\$ 542	\$ 87

1999									
SPECIAL									
DEBT SERVICE									
ASSESSMENT	DEBT SERVICE					CAPITAL PROJECTS			
BONDS	LIBRARY	2001 STREET	LEASE	HUDSONVILLE		PUBLIC	HIGHLAND		
DEBT	CONSTRUCTION	IMPROVEMENT	PURCHASE	BUILDING		IMPROVEMENT	DRIVE		
SERVICE	DEBT SERVICE	DEBT SERVICE	DEBT SERVICE	DEBT SERVICE			EAST	WATER	SIDEWALK
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,422	-	-	-	-	-	-	-	402	4,447
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
4,283	22	236	1,316	201	7,600	74	204	1,389	
-	-	-	-	-	-	-	-	-	-
12,705	22	236	1,316	201	7,600	74	606	5,836	
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	200,889	-	-	-	-
15,000	45,000	50,000	75,000	125,000	-	-	-	-	-
6,938	45,899	17,686	11,029	167,834	-	-	-	-	-
21,938	90,899	67,686	86,029	292,834	200,889	-	-	-	-
(9,233)	(90,877)	(67,450)	(84,713)	(292,633)	(193,289)	74	606	5,836	
-	91,423	67,687	86,030	293,188	505,000	-	-	-	-
-	-	-	-	-	(85,600)	-	-	-	-
-	91,423	67,687	86,030	293,188	419,400	-	-	-	-
(9,233)	546	237	1,317	555	226,111	74	606	5,836	
24,148	476	1,622	42,522	11,270	22,478	5,052	1,270	(11,052)	
\$ 14,915	\$ 1,022	\$ 1,859	\$ 43,839	\$ 11,825	\$ 248,589	\$ 5,126	\$ 1,876	\$ (5,216)	

(Continued)

CITY OF HUDSONVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	CAPITAL PROJECTS					TOTALS
	FACILITY	NEW HOLLAND	NEW HOLLAND	HILLSIDE	LIBRARY	
	IMPROVEMENTS	NEW HOLLAND	SANITARY/	PARK	EXPANSION	
	ADA	BIKE PATH	SIDEWALK	DEVELOPMENT		
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 142,489	\$ 337,094
Special assessment revenue	-	-	191	-	-	13,462
Intergovernmental						
State	-	-	-	-	-	465,513
Federal	-	-	-	-	-	61
Charges for services	-	-	-	-	-	56,287
Interest	16	96	368	9,340	763	31,274
Miscellaneous	-	-	-	-	53	68,227
TOTAL REVENUES	16	96	559	9,340	143,305	971,918
EXPENDITURES						
Current						
Highways and streets	-	-	-	-	-	518,152
Culture and recreation	-	-	-	-	-	265,844
Public safety	-	-	-	-	-	3,953
Capital outlay	-	-	-	2,374	-	203,263
Debt service:						
Principal retirement	-	-	-	-	-	360,000
Interest and fiscal charges	-	-	-	-	-	257,609
TOTAL EXPENDITURES	-	-	-	2,374	-	1,608,821
REVENUES OVER (UNDER) EXPENDITURES	16	96	559	6,966	143,305	(636,903)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	1,325,585
Transfers (out)	-	-	-	-	(136,383)	(416,700)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(136,383)	908,885
NET CHANGES IN FUND BALANCES	16	96	559	6,966	6,922	271,982
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	940	3,963	10,764	85	(2,694)	371,325
FUND BALANCES (DEFICIT), END OF YEAR	\$ 956	\$ 4,059	\$ 11,323	\$ 7,051	\$ 4,228	\$ 643,307

(Concluded)

CITY OF HUDSONVILLE

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS**

JUNE 30, 2005

<u>ASSETS</u>	MOTOR POOL	COMPENSATED ABSENCES	FIRE EQUIPMENT FUND	INSURANCE	TOTAL
CURRENT ASSETS					
Cash and pooled investments	\$ 815,204	\$ 2,272	\$ 4	\$ 24,841	\$ 842,321
Due from other funds	26,502	10,000	-	-	36,502
Interest receivable	9,988	-	-	292	10,280
Deposit	-	-	-	2,400	2,400
TOTAL CURRENT ASSETS	851,694	12,272	4	27,533	891,503
PROPERTY, PLANT AND EQUIPMENT					
Property and equipment	1,410,463	-	394,715	-	1,805,178
Less: Accumulated depreciation	644,972	-	78,944	-	723,916
NET PROPERTY, PLANT AND EQUIPMENT	765,491	-	315,771	-	1,081,262
<u>TOTAL ASSETS</u>	1,617,185	12,272	315,775	27,533	1,972,765
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES					
Accounts payable	7,606	9,779	-	-	17,385
Accrued wages payable	907	-	-	-	907
Due to other funds	21,582	-	-	-	21,582
TOTAL CURRENT LIABILITIES	30,095	9,779	-	-	39,874
NET ASSETS (DEFICIT)					
Invested in capital assets	765,491	-	315,771	-	1,081,262
Unrestricted	821,599	2,493	4	27,533	851,629
TOTAL NET ASSETS (DEFICIT)	\$ 1,587,090	\$ 2,493	\$ 315,775	\$ 27,533	\$ 1,932,891

CITY OF HUDSONVILLE**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS****FOR THE YEAR ENDED JUNE 30, 2005**

	MOTOR POOL	COMPENSATED ABSENCES	FIRE EQUIPMENT FUND	INSURANCE	TOTAL
OPERATING REVENUES					
Charges for services	\$ 229,697	\$ 697,416	\$ -	\$ -	\$ 927,113
TOTAL OPERATING REVENUES	229,697	697,416	-	-	927,113
OPERATING EXPENSES					
Personnel services	42,396	493,948	-	-	536,344
Insurance	17,419	216,898	-	-	234,317
Supplies and materials	34,231	-	-	-	34,231
Repairs and maintenance	46,628	-	-	-	46,628
Depreciation	27,856	-	19,736	-	47,592
Miscellaneous	(87,490)	-	-	-	(87,490)
TOTAL OPERATING EXPENSES	81,040	710,846	19,736	-	811,622
OPERATING INCOME (LOSS)	148,657	(13,430)	(19,736)	-	115,491
NONOPERATING REVENUES (EXPENSES)					
Interest income	19,735	-	-	581	20,316
Interest expense	-	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	19,735	-	-	581	20,316
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	168,392	(13,430)	(19,736)	581	135,807
TRANSFERS					
Transfers in	-	10,000	-	-	10,000
TOTAL TRANSFERS	-	10,000	-	-	10,000
CHANGES IN NET ASSETS	168,392	(3,430)	(19,736)	581	145,807
NET ASSETS - BEGINNING OF YEAR	1,418,698	5,923	335,511	26,952	1,787,084
NET ASSETS (DEFICIT) - END OF YEAR	\$ 1,587,090	\$ 2,493	\$ 315,775	\$ 27,533	\$ 1,932,891

CITY OF HUDSONVILLE

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2005

	MOTOR POOL	COMPENSATED ABSENCES	FIRE EQUIPMENT FUND	INSURANCE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services	\$ 251,279	\$ 687,416	\$ -	\$ -	\$ 938,695
Payments to vendors	(5,298)	(214,382)	-	-	(219,680)
Payments to employees	(42,396)	(493,948)	-	-	(536,344)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	203,585	(20,914)	-	-	182,671
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	10,000	-	-	10,000
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	-	10,000	-	-	10,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisitions of capital assets	(247,617)	-	-	-	(247,617)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	19,031	-	-	547	19,578
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	(25,001)	(10,914)	-	547	(35,368)
CASH AND POOLED INVESTMENTS - BEGINNING OF YEAR	840,205	13,186	4	24,294	877,689
CASH AND POOLED INVESTMENTS - END OF YEAR	\$ 815,204	\$ 2,272	\$ 4	\$ 24,841	\$ 842,321
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 148,657	\$ (13,430)	\$ (19,736)	\$ -	\$ 115,491
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	27,856	-	19,736	-	47,592
Changes in operating assets and liabilities which provided (used) cash:					
Accrued wages payable	71	-	-	-	71
Due from other funds		(10,000)			(10,000)
Due to other funds	21,582	-	-	-	21,582
Accounts payable	5,419	2,516	-	-	7,935
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 203,585	\$ (20,914)	\$ -	\$ -	\$ 182,671

**FIDUCIARY FUNDS
COMBINING BALANCE SHEET**

AGENCY FUNDS

TRUST AND AGENCY

PAYROLL

TOTALS

\$	119,943	\$	1,083	\$	121,026
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Accounts payable

\$	119,943	\$	1,083	\$	121,026
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CITY OF HUDSONVILLE

***COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS***

FOR THE YEAR ENDED JUNE 30, 2005

	BALANCE JUNE 30, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>TRUST AND AGENCY FUND</u>				
ASSETS				
Cash and pooled investments	\$ 70,619	\$ 9,171,631	\$ 9,122,307	\$ 119,943
LIABILITIES				
Accounts payable	\$ 70,619	\$ 9,171,631	\$ 9,122,307	\$ 119,943
<u>PAYROLL FUND</u>				
ASSETS				
Cash and pooled investments	\$ 2,718	\$ 1,647,743	\$ 1,649,378	\$ 1,083
LIABILITIES				
Accounts payable	\$ 2,718	\$ 1,647,743	\$ 1,649,378	\$ 1,083
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 149,521	\$ 10,819,374	\$ 10,771,685	\$ 121,026
LIABILITIES				
Accounts payable	\$ 149,521	\$ 10,819,374	\$ 10,771,685	\$ 121,026

CITY OF HUDSONVILLE

***BALANCE SHEET/STATEMENT OF NET ASSETS
TAX INCREMENT FINANCE AUTHORITY***

JUNE 30, 2005

<u>ASSETS</u>	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and pooled investments	\$ 768,236	\$ -	\$ 768,236
Accrued interest receivable	9,521	-	9,521
<u>TOTAL ASSETS</u>	<u>\$ 777,757</u>	<u>-</u>	<u>777,757</u>
<u>LIABILITIES AND FUND BALANCE/NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ 67,696	-	67,696
Accrued interest	-	20,234	20,234
Bond payable	-	1,655,000	1,655,000
	67,696	1,675,234	1,742,930
FUND BALANCE			
Undesignated	710,061	(710,061)	-
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 777,757</u>	<u>965,173</u>	<u>1,742,930</u>
NET ASSETS			
Unrestricted		(965,173)	(965,173)
TOTAL NET ASSETS (DEFICIT)		<u>\$ -</u>	<u>\$ (965,173)</u>

CITY OF HUDSONVILLE

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/NET ASSETS
TAX INCREMENT FINANCE AUTHORITY**

FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 378,854	\$ -	\$ 378,854
Interest	22,233	-	22,233
TOTAL REVENUES	401,087	-	401,087
EXPENDITURES/EXPENSES			
Debt service:			
Principal retirement	140,000	(140,000)	-
Interest	111,898	(1,362)	110,536
Miscellaneous	47,504		47,504
TOTAL EXPENDITURES/EXPENSES	299,402	(141,362)	158,040
REVENUES OVER (UNDER) EXPENDITURES	101,685	(101,685)	-
CHANGE IN NET ASSETS	-	243,047	243,047
FUND BALANCE/NET ASSETS (DEFICIT) , BEGINNING OF YEAR	608,376		(1,208,220)
FUND BALANCE/NET ASSETS (DEFICIT), END OF YEAR	\$ 710,061		\$ (965,173)

CITY OF HUDSONVILLE

***BALANCE SHEET/STATEMENT OF NET ASSETS
LOCAL DEVELOPMENT FINANCE AUTHORITY***

JUNE 30, 2005

<u>ASSETS</u>	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and pooled investments	\$ 732	\$ -	\$ 732
<u>TOTAL ASSETS</u>	<u>\$ 732</u>	<u>-</u>	<u>732</u>
<u>LIABILITIES AND FUND BALANCE/NET ASSETS</u>			
LIABILITIES			
Advance from primary government	\$ 25,877		25,877
Accrued interest	-	2,322	2,322
Note payable	81,803	-	81,803
	107,680	2,322	110,002
FUND BALANCE			
Undesignated (deficit)	(106,948)	106,948	-
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 732</u>	<u>109,270</u>	<u>110,002</u>
NET ASSETS			
Unrestricted		(109,270)	(109,270)
TOTAL NET ASSETS (DEFICIT)		\$ -	\$ (109,270)

CITY OF HUDSONVILLE

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/NET ASSETS
LOCAL DEVELOPMENT FINANCE AUTHORITY**

FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 222,949	\$ -	\$ 222,949
Interest	525	-	525
TOTAL REVENUES	223,474	-	223,474
EXPENDITURES/EXPENSES			
Debt service:			
Interest	18,791	(1,500)	17,291
REVENUES OVER (UNDER) EXPENDITURES	204,683	(204,683)	-
CHANGE IN NET ASSETS	-	206,183	206,183
FUND BALANCE/NET ASSETS (DEFICIT) , BEGINNING OF YEAR	(311,631)		(315,453)
FUND BALANCE/NET ASSETS (DEFICIT), END OF YEAR	\$ (106,948)		\$ (109,270)

CITY OF HUDSONVILLE

***BALANCE SHEET/STATEMENT OF NET ASSETS
DOWNTOWN DEVELOPMENT AUTHORITY***

JUNE 30, 2005

<u>ASSETS</u>	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and pooled investments	\$ 21,558	\$ -	\$ 21,558
Accrued interest receivable	257	-	257
<u>TOTAL ASSETS</u>	<u>\$ 21,815</u>	-	21,815
<u>LIABILITIES AND FUND BALANCE/NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ -		-
FUND BALANCE			
Undesignated	21,815	(21,815)	-
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 21,815</u>	(21,815)	-
NET ASSETS			
Unrestricted		21,815	21,815
TOTAL NET ASSETS		<u>\$ -</u>	<u>\$ 21,815</u>

CITY OF HUDSONVILLE

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/NET ASSETS
DOWNTOWN DEVELOPMENT AUTHORITY**

FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 6,696	\$ -	\$ 6,696
Interest	398	-	398
Miscellaneous	2,538	-	2,538
TOTAL REVENUES	9,632	-	9,632
EXPENDITURES/EXPENSES			
Capital outlay	10,597	-	10,597
Miscellaneous	6,511	-	6,511
TOTAL EXPENDITURES/EXPENSES	17,108	-	17,108
REVENUES OVER (UNDER) EXPENDITURES	(7,476)	7,476	-
CHANGE IN NET ASSETS	-	(7,476)	(7,476)
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR	29,291		29,291
FUND BALANCE/NET ASSETS, END OF YEAR	\$ 21,815		\$ 21,815

CITY OF HUDSONVILLE

SCHEDULE OF INDEBTEDNESS

JUNE 30, 2005

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL MATURITY DATE	PRINCIPAL PAYMENT	
					DATE	AMOUNT
GENERAL OBLIGATION DEBT						
Governmental Activities:						
Hudsonville Building Improvement and Refunding Bonds	4.1 - 5.35 %	4/1,10/1	1997	2018	10/1/05	\$ 185,000
					10/1/06	210,000
					10/1/07	230,000
					10/1/08	250,000
					10/1/09	275,000
					10/1/10	300,000
					10/1/11	325,000
					10/1/12	350,000
					10/1/13	385,000
					10/1/14	420,000
					10/1/15	425,000
					10/1/16	430,000
					10/1/17	355,000
						4,140,000
1999 GO Public Improvement	3.95 - 5%	4/1,10/1	1999	2014	04/01/06	15,000
					04/01/07	15,000
					04/01/08	15,000
					04/01/09	15,000
					04/01/10	15,000
					04/01/11	15,000
					04/01/12	15,000
					04/01/13	15,000
					04/01/14	20,000
						140,000
1999 Special Assessment	4.75 - 5%	4/1,10/1	1999	2014	04/01/06	15,000
					04/01/07	15,000
					04/01/08	15,000
					04/01/09	15,000
					04/01/10	15,000
					04/01/11	15,000
					04/01/12	10,000
					04/01/13	10,000
					04/01/14	10,000
						120,000
2001 MI Transportation Fund	4.25 - 7.25%	5/1,11/1	2001	2011	5/1/2006	55,000
					5/1/2007	55,000
					5/1/2008	60,000
					5/1/2009	60,000
					5/1/2010	65,000
					5/1/2011	65,000
	360,000					

(Continued)

CITY OF HUDSONVILLE

SCHEDULE OF INDEBTEDNESS (CONTINUED)

JUNE 30, 2005

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL MATURITY DATE	PRINCIPAL PAYMENT	
					DATE	AMOUNT
2001 Installment Purchase Contract	3.97%	4/1, 10/1	2001	2011	4/1/2006	\$ 68,108
					4/1/2007	70,812
					4/1/2008	73,623
					4/1/2009	76,545
					4/1/2010	79,584
					4/1/2011	82,744
						<u>451,416</u>
Accrued Compensated Absences						<u>81,930</u>
TOTAL GENERAL OBLIGATION DEBT						<u>5,293,346</u>
COMPONENT UNIT DEBT						
1991 Downtown Development Bonds	5.5 - 7%	12/1, 6/1	1991	2010	6/1/06	75,000
					6/1/07	100,000
					6/1/08	100,000
					6/1/09	125,000
					6/1/10	125,000
						<u>525,000</u>
General Obligation Limited Tax Development Bonds						
1994 Series	5.5 - 8.5%	4/1,10/1	1994	2014	4/1/06	90,000
					4/1/07	85,000
					4/1/08	115,000
					4/1/09	100,000
					4/1/10	100,000
					4/1/11	160,000
					4/1/12	160,000
					4/1/13	160,000
					4/1/14	<u>160,000</u>
						<u>1,130,000</u>
Local Development Finance Authority note						
to be paid based on tax revenue receipts	7%		1993			<u>81,803</u>
TOTAL COMPONENT UNIT DEBT						<u>1,736,803</u>

(Continued)

CITY OF HUDSONVILLE

SCHEDULE OF INDEBTEDNESS (CONTINUED)

JUNE 30, 2005

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL MATURITY DATE	PRINCIPAL PAYMENT	
					DATE	AMOUNT
ENTERPRISE FUND DEBT						
1999 Series	4 - 5.2%	4/1,10/1	1999	2019	4/1/2006	\$ 30,000
					4/1/2007	35,000
					4/1/2008	35,000
					4/1/2009	40,000
					4/1/2010	40,000
					4/1/2011	45,000
					4/1/2012	45,000
					4/1/2013	50,000
					4/1/2014	45,000
					4/1/2015	50,000
					4/1/2016	50,000
					4/1/2017	55,000
					4/1/2018	60,000
					4/1/2019	60,000
						640,000
1998 Drinking Water Revolving Fund	2.5%	4/1,10/1	1998	2019	4/1/2006	25,000
					4/1/2007	25,000
					4/1/2008	25,000
					4/1/2009	25,000
					4/1/2010	25,000
					4/1/2011	25,000
					4/1/2012	25,000
					4/1/2013	25,000
					4/1/2014	25,000
					4/1/2015	30,000
					4/1/2016	30,000
					4/1/2017	30,000
					4/1/2018	30,000
					4/1/2019	30,000
						375,000
Net premium/discount					(7,657)	
TOTAL ENTERPRISE FUND DEBT					1,007,343	
TOTAL LONG-TERM OBLIGATIONS					\$ 8,037,492	

(Concluded)



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 14, 2005

Honorable Mayor and
Members of the City Commission
Hudsonville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hudsonville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hudsonville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Commission, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.